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A message to all employees from Michael Costello

February 14, 2000

At its January meeting the Board of Directors approved changes to BC Hydro's Director and Employee Code of Conduct.

The Board requires that BC Hydro's governance framework be reviewed annually to ensure that our policies and processes continue to meet the needs of the Corporation and its Subsidiaries in the changing environment in which we operate.

Part of the governance review included a close look at the Code of Conduct. Since the Code was adopted in March 1998, it has helped to provide guidance to Directors and Employees on Code of Conduct and conflict of interest matters. While the Code has helped to reinforce our corporate values and behaviors, it was evident that there were some areas where further clarification would be helpful.

Over the past few months a Board Task Group worked with the Corporate Secretary, Code of Conduct Advisor and a governance expert to clarify the Code's language so that our Code gives the clearest possible direction to Directors and Employees. The new document is attached – please take a few moments to review it.

A new corporate procedure – linked to the Code of Conduct on the Intranet has also been produced – this communications procedure describes the role of the Code of Conduct Advisor in more detail. You will see that the Advisor's name has been changed from "Conflict of Interest Advisor" to "Code of Conduct Advisor" – the Board felt that this change more accurately reflects the function of the confidential advisor.

I hope you will view this Code as a positive and forward looking document. I know, when compared to other Crown Corporations, BC Hydro compares very favourably with its policy on conduct expectations. It should be seen as a tool to help all of us in our business dealings.

The Code is also available on the Corporate Policy intranet site and is published on our external web site so that contractors, suppliers and the general public can see the standards under which we operate.

At the same time a new intranet site has been launched which describes the composition, role and responsibility of the Board of Directors – the Code of Conduct can also be accessed from this new web site.

If you have any questions on particular aspects of the Code, please contact your Manager or the Code of Conduct Advisor.

Michael Costello
President and
Chief Executive Officer

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Director and Employee Code of Conduct

Introduction

The Director and Employee Code of Conduct provides general guidance on the standards of conduct expected of Directors, Employees and Contractors of BC Hydro, including guidelines on conflict of interests. The guidelines applicable to Contractors are attached to this Code as Attachment 1. Within the Corporation there are other policies or procedures which complement or support the general Code of Conduct and reference is made to them throughout this Code.

See page 7 for Definitions of Terms used in the Code of Conduct and related documents.

BC Hydro, recognizing the need for a neutral and independent resource to provide a clear interpretation of its standards of business conduct and guidelines for conflict of interest, has established a Code of Conduct Advisor. The Code of Conduct Advisor, an independent contractor appointed by the Board:

1. reports through the Office of the Chair;
2. reviews, updates or establishes appropriate policy, guidelines, procedures and processes for BC Hydro's code of business conduct and conflict of interest guidelines; and
3. provides independent expert advice, receives disclosures and if appropriate, issues written opinions or directives to Directors, Employees and Contractors on code of conduct and conflict of interest matters that they may encounter when fulfilling their respective responsibilities.

The fundamental relationship between Director and/or Employee and BC Hydro must be one of trust; essential to trust is a commitment to honesty and integrity.

Compliance with law

BC Hydro's Directors and Employees shall comply with all applicable provisions of laws and regulations of the countries in which BC Hydro operates. Directors and Employees shall contact BC Hydro's legal counsel if they have any questions regarding applicable laws.

No one in BC Hydro shall commit or condone an illegal act or instruct another Employee, partner or Contractor to do so.

Employees are expected to be sufficiently familiar with any legislation that applies to their work, to recognize potential liabilities and to know when to seek legal advice. If in doubt, ask for clarification from BC Hydro's legal counsel.

No Director or Employee shall create or condone the creation of a false record. No Director or Employee shall destroy or condone the destruction of a record, except in accordance with BC Hydro policies.

Directors and Employees must not engage in or give the appearance of being engaged in any illegal or improper conduct that is in violation of this Code.

Conflicts of interest

Directors and Employees will perform their duties conscientiously and will not put themselves in a position in which their private interests and those of BC Hydro might be or perceived to be in conflict.

A Director or Employee has an actual conflict of interest when the Director or Employee is performing a duty or function of the position and in the performance of that duty or function has the opportunity to further his or her private interests.

There is an apparent conflict of interest when a reasonably well-informed person could perceive that a Director's or Employee's ability to perform a duty or function of the position was or will be affected by the Director's or Employee's private interests.

Every Director and Employee must avoid any situation in which there is an actual or apparent conflict of interest that could interfere or could be perceived to interfere with the Employee's or Director's judgment in making decisions in BC Hydro's best interests.

BC Hydro depends on the integrity of all Directors or Employees who have knowledge of a decision or activity of BC Hydro that involves or might involve a conflict of interest to disclose the circumstances. Assurance that no conflict of interest or other breach of this Code exists may be required, in writing, from time to time.

Every Director and Employee shall disclose all circumstances that constitute an actual or apparent conflict of interest. Disclosure shall be made, in the case of Directors, to the Chair, and in the case of Employees, to their manager.

Some conflicts are quite clear, but others are less obvious. BC Hydro recognizes that its Directors and Employees have perfectly legitimate outside interests; however, there may also be situations which could be perceived as a conflict of interest no matter how innocent the intentions of the Employee or Director.

The following are examples of circumstances where a Director's or Employee's private interests would be in conflict with the interests of BC Hydro:

1. an Employee who is responsible for awarding a BC Hydro printing contract is a partner in a printing firm that has tendered for that contract;
2. a Director discloses confidential information about future real estate acquisitions of BC Hydro to a close personal friend with whom the Director has had business dealings in the past;
3. the teenage son of an Employee who is negotiating a contract with an environmental consultant is offered and accepts a free week long trip on a northern BC river from the environmental consultant;
4. a Director who is aware of a significant contract being negotiated between a public company and BC Hydro purchases shares in the public company before the contract is announced publicly.

Directors or Employees who find themselves in a conflict of interest must disclose the conflict and abstain from voting or other actions that impact the outcome of the activity or business transaction. Full disclosure enables Directors and Employees to resolve unclear situations and gives an opportunity to dispose of or appropriately address conflicting interests before any difficulty can arise.

Where necessary, an Employee or Director may refer an individual situation to BC Hydro's Code of Conduct Advisor, who may recommend actions needed to eliminate or address a conflict of interest.

The following provides a more detailed discussion of circumstances where a conflict of interest could arise and how BC Hydro expects its Directors and Employees to behave.

Outside business interests

In this discussion, "business activity" refers to ownership, participation in decision-making as a member of a board of directors, or engagement as an advisor or consultant or as an active member of staff in any position.

Employees should declare their outside business activities at the time of engagement and are required to limit outside business activities to avoid any conflicts of interest or other breaches of the provisions of the Code. Notwithstanding any outside business activities, Employees are required to act in the best interests of BC Hydro.

No Employee or Director should hold a substantial private interest, directly or indirectly, through a relative, friend or associate, or hold or accept a position as an officer or director, in an entity where by virtue of his or her position in BC Hydro the Director or Employee could in any way benefit the entity by influencing the decisions of BC Hydro.

Confidential information

A Director or Employee should at all times maintain the confidentiality of all confidential information and all records of BC Hydro and must not make use of or reveal such informa-

tion or records except in the course of performance of their duties or unless the documents or information become a matter of general public knowledge.

Similarly, Directors or Employees may not use confidential information obtained through their association or employment with BC Hydro to further their private interests or the private interests of their friends or relatives.

A Director or Employee using BC Hydro's computer data base or electronic mail system will be expected to comply with any internal policies and procedures that guide the storage, use and transmission of information through this medium.

Investment activity

Directors or Employees may not, directly or indirectly, through friends, relatives or associates, acquire or dispose of any interest, including publicly traded shares, in any entity when in possession of confidential information obtained in the performance of their duties with BC Hydro which could affect the value of such interest.

Each province has its own legislation on "insider trading", which means buying or selling securities on the basis of "inside" knowledge not available to the public. Penalties are severe for violations and Directors or Employees who trade in, or are contemplating trading in securities, should familiarize themselves with the relevant legislation.

Outside employment

BC Hydro Employees may hold outside jobs or engage in modest self-employment activities on their own time, using their own resources, and in a manner not adversely affecting their performance or objectivity for BC Hydro.

However, no BC Hydro Employee, may accept work with a competitor, or with any entity that could lead to a conflict of interest or situation prejudicial to BC Hydro's interests.

Non-profit and professional associations

BC Hydro encourages its Employees to contribute to their communities through involvement with charitable, community service and professional organizations. However, Employees should only use BC Hydro time or resources for such activities with the prior agreement of management.

From time to time, individual Directors and Employees reach positions of leadership in non-profit associations where they may be viewed as spokespersons for those groups. In such situations, the individuals should ensure that they are seen as speaking for their organization or as individuals, and not as an Employee or spokesperson of BC Hydro.

Entertainment, gifts and benefits

In this discussion, "gifts or benefits" includes cash, preferred loans, securities or secret commissions.

It is essential to efficient business practices that all those who do business with BC Hydro, as contractors or customers, have access to BC Hydro on equal terms.

Directors and Employees and their associates should not accept entertainment, gifts or benefits which grant or appear to grant preferential treatment to a potential or actual contractor of BC Hydro. Any entity offering such inducement must cease this practice; a business relationship with BC Hydro will be conditional on compliance with this Code.

Similarly, no Director or Employee may offer entertainment, gifts or benefits in order to secure preferential treatment for BC Hydro.

Gifts, entertainment and benefits may only be accepted or offered by a Director or Employee in the normal exchanges common to business relationships. The following criteria will guide your judgment:

1. the gift, entertainment or benefit would be considered by the business community to be within the bounds of propriety taking into account all the circumstances of the occasion;
2. the exchange does not nor is it expected to create an obligation;
3. it occurs infrequently; and
4. it could be justified on a BC Hydro expense statement if the Employee or Director offers rather than receives it.

Inappropriate gifts that are received by a Director or Employee should be returned to the donor and may be accompanied by a copy of this Code. Perishable gifts can be donated to a charity and the donor notified. The Code of Conduct Advisor will be advised of the circumstances of an inappropriate gift.

In some cultures or business settings, the return of a gift or refusal of a favour, benefit or entertainment would be offensive; in these cases, a Director or an Employee should refer the circumstances to the Chair for guidance.

Full and immediate disclosure to BC Hydro management of borderline cases will always be taken as good-faith compliance with this Code.

Business relations with contractors

BC Hydro will deal fairly and openly with all its Contractors and will facilitate access to its business by all entities, provided conditions of quality, reliability and competitiveness are met.

No Director or Employee may benefit directly or indirectly from BC Hydro's business relationships unless the benefit is an ancillary benefit that BC Hydro intends its Directors or Employees to enjoy.

Professional development

BC Hydro encourages and supports the professional development of its Employees. Where staff are members of a recognized profession, they are expected:

1. to keep abreast of professional developments in their field;
2. to perform their duties in accordance with the recognized standards of that profession; and
3. to abide by any code of ethics adopted by their professional association.

Environment and safety

Environmental protection is a fundamental BC Hydro value; every Director and Employee has a role in ensuring BC Hydro's operations comply with environmental legislation and standards.

Safety must be everyone's concern. BC Hydro is committed to providing all Employees a safe, healthful and harassment-free workplace and to ensuring safe and respectful work practices and conditions.

Management and Directors have both a legal and a moral responsibility for safety and the protection of the environment, and every manager has a specific obligation in this respect.

Every Employee has a personal responsibility to take all prudent precautions in every activity, not just to ensure personal safety, but also to avoid creating any danger to others or demonstrating behaviour which can be reasonably construed as discrimination or harassment.

Use of Corporation property

BC Hydro assets must not be misappropriated for personal use by Directors or Employees.

Directors and Employees are entrusted with the care, management and cost-effective use of BC Hydro's property, including the use of BC Hydro's name, and should not make significant use of these resources for their own personal benefit or purposes.

Directors and Employees should ensure that all BC Hydro property assigned to them is maintained in good condition and should be able to account for such property.

Directors and Employees may not dispose of BC Hydro property except in accordance with the guidelines established by the Investment Recovery Manager or other designated Employee.

Patents and discoveries

Employees are often engaged in various forms of research or problem solving for BC Hydro. The product of their efforts produced within the scope of their employment belongs to BC Hydro, whether the product was concluded while actually at work or not.

Such products include computer programs, technical processes, inventions, research methods, reports or articles and any other form of innovation or development. Patents, rights or copyright, as appropriate, must be assigned by Employees to BC Hydro.

Political participation

Directors and Employees are encouraged to participate fully as private citizens in the democratic process at

any level, including campaigning in elections and running for or holding public office.

However, Directors and Employees engaging in the political process should do so on their own time and must take care to separate their personal activities from their association with BC Hydro.

Responsibility

BC Hydro is determined to behave, and to be perceived, as an ethical corporation. Each Director and Employee must adhere to the standards described in this Code of Conduct, and to the standards set out in applicable policies, guidelines or legislation.

An Employee's failure to adhere to these standards could lead to disciplinary action and the policies and procedures currently in place at BC Hydro respecting disciplinary action will apply.

A Director's failure to adhere to these standards could result in a recommendation for removal from office.

To demonstrate our determination and commitment, BC Hydro asks each Director and Employee to review the Code periodically throughout the year. Take the opportunity to discuss with the Code of Conduct Advisor or senior management any circumstances that may have arisen which could be an actual or potential violation of these ethical standards of conduct.

Directors of BC Hydro and its subsidiaries, members of BC Hydro's Corporate Management Committee, officers appointed by subsidiary boards of directors and any other officer of BC Hydro as required by BC Hydro's Board of Directors are required to sign a Form of Declaration annually and file it with the Corporate Secretary, see Attachment 5.

Directors are also required to comply with the Protocol for Directors, see Attachment 2.

Integrity, honesty, and trust are essential elements of our business success. Any Director or Employee who knows or suspects that this Code of Conduct has been or is likely to be breached has a responsibility to report it.

A Director or Employee who requires advice on a particular Code of Conduct matter or suspects improper activities should seek clarification from the appropriate official, either the Code of Conduct Advisor or the appropriate manager.

Where to seek clarification

For Directors, you should refer such matters to the Code of Conduct Advisor.

For Employees, your immediate manager will provide guidance on any item in this Code of Conduct. You may then be directed to the sources of information, including relevant corporate policy, or be referred to one of the authorities mentioned below.

If the issue is one which you feel unable to discuss with your immediate manager, you should refer to the next level of management or to a member of BC Hydro's senior management, or to the Code of Conduct Advisor.

The privacy of a Director or Employee who discloses a breach or potential breach under this Code of Conduct will be respected by management of BC Hydro as much as is possible in the circumstances. Management of BC Hydro is responsible for ensuring that any individual who, in good faith, has made a disclosure of a breach or potential breach of this Code of Conduct does not suffer any adverse consequences as a result.

All disclosures to the Code of Conduct Advisor will be kept strictly confidential unless, in the sole opinion of the Advisor, the matter disclosed constitutes an actual or potential threat of serious harm to BC Hydro, its Employees or to the general public. In that event, the Advisor will act in accordance with any disclosure procedure issued by the Advisor. See Procedure for Disclosures to Code of Conduct Advisor, Attachment 3.

Exemptions from Code requirements

An Employee or a Director may request an exemption from a requirement of this Code in accordance with the published administrative procedures. See Corporate Exemption Procedure, Attachment 4.

In extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so, the President and CEO of BC Hydro or its subsidiaries, as the case may be, may grant to an Employee an exemption from the requirements of this Code to allow the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest under this Code or that would be considered a breach of this Code. Conditions may be attached to an exemption.

In extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so, the Chair of the Board of Directors of BC Hydro may exempt a Director of its Board or the Board of Directors of any of its subsidiaries from a requirement of this Code following full and detailed disclosure by the Director of all material and relevant circumstances respecting the matter. Conditions may be attached to an exemption.

If a Director or Employee is exempted from a requirement of this Code for the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest, the Director or Employee must refrain from participating in any way in any decision-making respecting the subject matter of the conflict of interest except to the extent specifically authorized in the decision granting the exemption.

Note: *The provisions of this Code of Conduct are in addition to, and not in substitution for, any obligation to BC Hydro imposed upon a Director or Employee by common law, equity or statute. Compliance with the Code shall not relieve a Director or Employee from any such obligations.*

Definitions

Throughout this Code and in any related or referenced documents,

"associate" means

1. a spouse of the Director or Employee,
2. a son or daughter of a Director or Employee or of the spouse of a Director or Employee if the son or daughter is under 19 years of age or is living in the family residence of the Director or Employee,
3. a relative of the Director or Employee who is living in the family residence of the Director or Employee,
4. a corporation of which the Director or Employee beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation,
5. a corporation of which a person referred to in paragraph 1 or 2 beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation, or
6. a trust or estate in which the Director or Employee has a substantial beneficial interest or for which the Director or Employee serves as trustee;

"BC Hydro" means the British Columbia Hydro and Power Authority and includes its subsidiaries and related corporations, if any, as the case may be;

"confidential information" includes business, operating and marketplace information about BC Hydro, personal information about Employees and customers of BC Hydro, information about the business interests of customers, suppliers or other third parties with whom BC Hydro business relationships and information provided by legal counsel;

"contractor" includes a supplier or consultant of BC Hydro and a BC Hydro business associate such as its partner or joint-venturer;

"friend" includes an individual with whom the Director or Employee is connected by frequent or close association;

"private interest" means a pecuniary or economic interest or advantage and includes any real or tangible benefit that personally benefits the Director or Employee or his or her associate but does not include an interest arising from the performance of the Director's or Employee's official duty or function that applies to the general public, affects an individual as one of a broad class of the public, or concerns the Director's or Employee's remuneration and benefits received in that capacity;

"relative" means a relative by blood, adoption or marriage;

"substantial private interest" means a private interest that is substantial enough in the particular circumstances to benefit materially from a decision of BC Hydro;

"spouse" means a person the Director or Employee is married to or with whom the Director or Employee is living in a marriage-like relationship, including a person of the same gender, but does not include a person from whom the Director or Employee is separated or living apart and with whom the Director or Employee has entered into an agreement to live apart or who is the subject of an order of a court recognizing the separation.

Code of Conduct guidelines applicable to BC Hydro contracts

(Attachment 1 to Director and Employee Code of Conduct)

In its ongoing efforts to ensure that BC Hydro and its subsidiaries behave and are perceived to behave as ethical corporations, BC Hydro has adopted a Code of Conduct that provides guidelines for the behaviour of its Directors, Officers and Employees and for BC Hydro's expectations of the behaviour of its suppliers, consultants, contractors and business associates.

Unless it is inappropriate to do so, the guidelines set out below are to be included in every tender call, request for proposals and contract with BC Hydro and its subsidiaries.

A supplier, consultant, contractor or business associate may be required to give assurances that it conducts itself in accordance with the standards set in these guidelines before it will be considered qualified to enter into a business relationship with BC Hydro.

A supplier, consultant, contractor or business associate with which BC Hydro has a contract will be expected to comply with the standards set in these guidelines. Failure to do so, may be treated by BC Hydro as a reason for terminating the contract. In some cases, other terms of a specific contract may impose a higher standard. In these cases, the contract terms with the higher standards apply.

Guidelines

In these guidelines:

"BC Hydro" means BC Hydro and Power Authority or any of its subsidiaries that has entered into the Contract described in these guidelines;

"Contractor" means the contractor, consultant, supplier or business associate who has a contract with BC Hydro in which these guidelines are included as a term of the contract.

1. The Contractor shall act at all times with integrity and honesty
   a) in its dealings with BC Hydro, and
   b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of or on behalf of BC Hydro.
2. Unless the Contractor has the prior written permission of BC Hydro, the Contractor shall not conduct business with a competitor of BC Hydro during the term of the Contract if the conduct of such business would require the Contractor to act contrary to the best interests of BC Hydro.
3. Before the Contract is entered into and from time to time as circumstances require, the Contractor shall disclose in writing to BC Hydro to the best of the Contractor's knowledge:
   a) any business relationship that the Contractor or any of its owners or officers has with a Director or Employee of BC Hydro,
   b) the name of any Director or Employee of BC Hydro who is a relative of the Contractor or any of its owners or officers, and
   c) the name of any Director or Employee of BC Hydro with whom the Contractor or any of its owners or officers is connected by frequent or close association.

4. The Contractor shall read BC Hydro's Code of Conduct that is available from BC Hydro's contract representative or available at BC Hydro's web site at **www.bchydro.com** (Click **"Tell me about BC Hydro"**, click on **"Quick Facts"**, click on **"Code of Conduct"**) and shall take all reasonable steps to avoid placing a Director or Employee of BC Hydro in a conflict of interest as contemplated by the Code.

5. The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.

6. If the Contractor is given access to any BC Hydro property in order to perform the Contract, the Contractor shall use that property solely for purposes of performance of the Contract.

7. The Contractor shall not attempt to secure preferential treatment with BC Hydro by offering entertainment, gifts or benefits to BC Hydro Directors or Employees. Reasonable exchanges common to business relationships are acceptable.

8. Unless the Contractor has the express permission of BC Hydro, the Contractor shall not offer employment to a BC Hydro employee during the term of the Contract.

9. The Contractor shall provide its employees, including any employees of BC Hydro with whom the Contractor has a close working relationship, with a safe and healthy workplace that is harassment and discrimination free.

10. The Contractor shall ensure that when it is participating in any public discussions or taking a position of leadership in other organizations that it does not represent itself as a spokesperson of BC Hydro unless the Contractor has been retained specifically to act in that capacity.

Contractors who wish further information or advice on the application of these guidelines to particular circumstances are encouraged to speak to BC Hydro's contract representative.

Protocol to avoid Directors' conflicts of interests

(Attachment 2 to Director and Employee Code of Conduct)

In this document:

"Advisor" means the Code of Conduct Advisor;

"BC Hydro" includes each of its subsidiaries;

"Code" means the BC Hydro Director and Employee Code of Conduct;

Disclosure to advisor

At the time of appointment as a Director of BC Hydro or of any of its subsidiaries, each Director will be encouraged by the Chair to meet with the Advisor

1. to disclose all private interests that the Director and the Director's associates have that could result in a conflict of interest under the Code, and
2. to discuss any steps that could or should be taken to avoid such conflicts of interest.

A Director will advise the Advisor in a timely manner of any material changes in these disclosures.

Report to the Corporate Secretary

With notice to the Director, the Advisor will report to the Corporate Secretary the general nature of the private interests of each Director and that Director's associates that could result in a conflict of interest under the Code.

Agendas of board and board committee meetings

Relying on information that has been made available to the Corporate Secretary, the Corporate Secretary will monitor the subject matter of board or committee agendas for potential conflicts of interest for individual Directors.

If the Corporate Secretary has reason to believe that an agenda item could result in a conflict of interest for a Director, the Corporate Secretary will make reasonable efforts to discuss the issue generally with the Director before circulating background information to that Director on that subject matter.

The Corporate Secretary will prepare a board or committee agenda that is detailed enough for a Director to identify a potential conflict of interest and, whenever it is practical to do so, will circulate the agenda to the Directors before circulating the background materials.

If a Director identifies a conflict of interest in an agenda item, the Director will:

1. advise the Corporate Secretary that the Director should not be sent the background materials in respect of that agenda item, or
2. return the background materials on that item.

In either event, the Director will advise the Corporate Secretary that he/she is declaring a conflict of interest.

Declaration at meeting

The Director will declare to the board or the committee, as the case may be, the general nature of the conflict of interest when the subject matter arises on the agenda of the board or committee meeting and will leave the meeting until the discussion on that item is completed and a decision, if any, has been made.

If a Director makes a declaration of conflict of interest and leaves the meeting, the Corporate Secretary will record these facts in the minutes of the meeting.

A Director will not participate in the discussions, make any attempt to influence the discussions or vote on

the subject matter of an agenda item in respect of which the Director has made a declaration of conflict of interest.

If a Director has made a declaration in respect of certain subject matter, the Director will only be provided minutes of the meeting that record the decision made respecting that subject matter but not minutes of any discussion that took place.

Procedure for disclosure to the Code of Conduct Advisor

(Attachment 3 to Director and Employee Code of Conduct)

The following document has been issued by the Code of Conduct Advisor to provide information to the Directors and Employees of BC Hydro and its subsidiaries on how the Code of Conduct Advisor will, in most cases, address the reporting or disclosure of a breach or possible breach of the Code of Conduct.

In this document,

"Advisor" means the Code of Conduct Advisor;

"BC Hydro" includes each of its subsidiaries;

"Code" means the BC Hydro Director and Employee Code of Conduct;

"disclosing person" means a person who is reporting or disclosing circumstances which the person believes are a breach or possible breach of the Code.

Caution

At the earliest opportunity, the Advisor will advise a disclosing person of the confidentiality/privacy policies set out in this document.

Encouragement to report to management

If the Advisor is of the opinion that the circumstances related are a breach or possible breach of the Code, the Advisor will encourage the disclosing person:

1. who is an Employee, to report the circumstances to his or her manager or another member of management in whom the Employee has confidence, or
2. who is a Director, to report the circumstances to the Chair of the board of directors of which the Director is a member.

If the disclosing person is reluctant to report the circumstances, the Advisor will offer to provide assistance in making this report by attending with the person, by reporting the circumstances on that person's behalf or by any other means the Advisor considers to be appropriate in the circumstances.

Employee concern about reprisals

If the disclosing person is an Employee and is concerned about possible reprisals for reporting the circumstances to management, the Advisor will offer to monitor the circumstances and will report these concerns to the Vice-President, Human Resources on a confidential basis.

Advisor conclusion on potential harm

If the disclosing person has indicated an intention *not* to report the circumstances to management or the Chair, the Advisor:

1. will record the advice and offers of assistance given and provide a copy to the disclosing person, and
2. will assess whether the disclosed circumstances are likely to cause serious harm to a member of the public or to BC Hydro or its Employees.

For these purposes "serious harm" includes physical injury, significant financial loss, significant damage to or loss of property and loss of commercial reputation.

No serious harm

If the Advisor concludes that the disclosed circumstances are not likely to cause serious harm, both the fact of the disclosure and the Advisor's advice to the disclosing person will be kept confidential.

The Advisor will not take any further steps in respect of the specific disclosure but may refer to the circumstances in a general way in any subsequent reports given to the Chair of BC Hydro or to its Board of Directors.

Serious harm

If the Advisor concludes that the disclosed circumstances are likely to cause serious harm, the Advisor will advise the disclosing person of this conclusion and whether the Advisor intends to discuss the disclosed circumstances with a manager or the Chair.

If the Advisor discusses these disclosed circumstances with a manager and is not satisfied that the disclosure will be or has been dealt with appropriately, the Advisor may make a report to the Chair.

If the Advisor believes that these disclosed circumstances affect more than one operation or business unit of BC Hydro or is a matter of more general concern, the Advisor may make a report to the Chair.

Protection of privacy

If the Advisor discusses these disclosed circumstances with a manager or the Chair, the Advisor, the manager and the Chair will make reasonable efforts to protect the privacy of the disclosing person. However, this privacy may not be protected if:

1. the disclosing person has reported his or her own breach of the Code to the Advisor and, contrary to the specific advice of the Advisor, has refused to report the circumstances to a manager or the Chair, or
2. the disclosing person appears to have deliberately misrepresented the disclosed circumstances.

Investigation

The Advisor may recommend to the Chair that an investigation be conducted into these disclosed circumstances.

Opportunity to respond

If it has been alleged that a person has breached or may have breached the Code and these circumstances have been reported to management, the person, in respect of whom the allegations have been made, should be informed of the allegations and given the opportunity:

1. to respond to them, and
2. where appropriate, to contribute to the discussions on how the breach could be remedied.

Disciplinary action

If these allegations lead to disciplinary action, the procedures currently in place at BC Hydro respecting disputed disciplinary action apply.

Corporate exemption procedure for the Code of Conduct

(Attachment 4 to Director and Employee Code of Conduct)

It is anticipated that upon occasion it may be appropriate and in the best interests of BC Hydro or its subsidiaries to permit the continuation of circumstances that would otherwise be considered a conflict of interest under or a breach of the Code of Conduct. Accordingly, the Code of Conduct allows a Director or Employee to request an exemption from the provisions of the Code of Conduct.

The purpose of this document is to set out the procedure for an Employee who wishes to request this exemption.

Who may make the request for an exemption?

A request for an exemption may be made by an Employee or by a manager on behalf of the Employee and with the Employee's consent.

To whom should it be sent?

A request by an Employee for an exemption should be sent directly to the attention of the President/CEO of BC Hydro, if the Employee is an Employee of BC Hydro and to the President/CEO of the subsidiary, if the Employee is an Employee of a subsidiary.

If a manager makes the request on behalf of an Employee, the manager will provide the Employee with a copy of the request. If the Employee makes the request, the Employee will provide the Employee's manager with a copy of the request.

What information should be included in the request?

A request for an exemption should set out at least the following information:

1. a statement of the specific nature of the exemption being requested, including the provision of the Code from which the exemption is requested.
2. a full and complete statement of all material and relevant circumstances relating to the request being made, including the name of the Employee and the Employee's job description. This statement must be prepared and signed by the Employee even if the request is being made by the employee's manager.
3. the reasons why it may be considered appropriate to give the exemption.
4. in the case of an exemption from the conflict of interest provisions, a statement of the steps the Employee will take or has taken to avoid participating in any decision or activity relating to the disclosed circumstances.
5. a statement of whether or not the Employee has discussed the request with the Employee's manager.

What the employee should expect in reply?

The President/CEO will acknowledge in writing that the request has been received and may request additional information from the Employee or the Employee's manager.

The President/CEO will advise the Employee in writing of the decision on the request. If the exemption request is granted, the President/CEO may impose conditions on the exemption granted.

Who will be advised of the decision?

The President/CEO will provide the Employee's manager and the Code of Conduct Advisor with a copy of the request for an exemption and of the decision on the request.

If an Employee of a subsidiary has made a request for an exemption, the President/CEO of the subsidiary will also provide the President/CEO of BC Hydro and the Code of Conduct Advisor with the same copies.

Form of Declaration by Directors and Officers

(Attachment 5 to Director and Employee Code of Conduct)

I ACKNOWLEDGE that I have read and considered the Code of Conduct for Directors and Employees of BC Hydro, and as a

- Director of BC Hydro or any of its subsidiary companies, or
- member of BC Hydro's Corporate Management Committee, or
- Officer of BC Hydro, or
- Officer appointed by a BC Hydro subsidiary company

(Please check all categories that apply)

I agree to conduct myself in accordance with the Code of Conduct.

I undertake to review the Code of Conduct from time to time during the term of my appointment and to become familiar with, and to understand the implications of, any changes to the Code of Conduct.

Signature _____

Title(s) in full _____

Please complete and return to the Corporate Secretary,

British Columbia Hydro and Power Authority,

18th Floor, 333 Dunsmuir Street, Vancouver, B.C. V6B 5R3

Telephone: (604) 623-4466

Filed with Corporate Secretary on _____ , 2000

Filed with Code of Conduct Advisor on _____ , 2000

YOUR LINE MANAGER

POLICY QUESTIONS 823-4466 (74456)

CODE OF CONDUCT ADVISOR 823-4419 (74419)

E-MAIL . . . . . CODEOFCONDUCTADVISOR@BCHYDRO.BC.CA

ROLE OF CODE OF CONDUCT ADVISOR: provides independent and confidential advice on the interpretation and application of the Code of Conduct.

DIRECTOR AND EMPLOYEE CODE OF CONDUCT
CODE OF CONDUCT GUIDELINES APPLICABLE TO BC HYDRO CONTRACTS

CLARIFICATION

This document is issued to provide clarification of the intention of Item 3 of the *Code of Conduct Guidelines applicable to BC Hydro Contracts* which refer to "owners" of a Contractor. The following may be used to determine whether a disclosure is required for a particular owner of the Contractor.

If the Contractor is a corporation with more than two shareholders, a disclosure will only be required for a shareholder who is:

(1) an individual who beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor, or

(2) an individual who together with his or her associate* beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor.

If a Contractor is a partnership with more than two partners, a disclosure will only be required for a partner who is:

(1) an individual who beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership, or

(2) an individual who together with his or her associate* beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership.

* **"associate"** means

(1) a spouse** of the shareholder or partner,
(2) a son or daughter
- of the shareholder or partner, or
- of the spouse of the shareholder or partner,

if the son or daughter is under 19 years of age or is living in the family residence of the shareholder or partner, or
(3) a relative of the shareholder or partner who is living in the family residence of the shareholder or partner.

** **"spouse"** means a person to whom the shareholder or partner is married or with whom the shareholder or partner is living in a marriage-like relationship, including a person of the same gender, but does not include a person from whom the shareholder or partner is separated or living apart and with whom the shareholder or partner has entered into an agreement to live apart or who is the subject of an order of a court recognizing the separation.

DIRECTOR AND EMPLOYEE CODE OF CONDUCT
"CONFLICTS OF INTERESTS" AND "BENEFITS"

CLARIFICATION

The purpose of this Clarification Statement is to establish some general rules for and to clarify the Corporation's intention in respect of two matters: the nature of a private interest that may create a conflict of interest and the prohibition against receiving a benefit from a BC Hydro business relationship.

For further advice please contact your Manager or the Code of Conduct Advisor.

Private interests resulting in conflicts of interest

Under the Code, a Director or Employee is to avoid all conflicts of interest and where there is an actual or potential conflict of interest or perception of a conflict of interest must make full disclosure and must not participate in the matter giving rise to the conflict. The conflict of interest provisions are not intended to treat all private interests, as defined in the Code, in the same manner.

Potential conflicts of interest arising out of private interests which are trivial are generally of less concern to the Corporation. A trivial interest is an interest of such *minimal value* or so *remote* from influence by a Director or Employee that it would not reasonably be considered to constitute a risk of conflict of interest.

The following are examples of interests that would ordinarily be considered so remote as not to constitute a risk of conflict of interest:

- ***Publicly traded corporation*** - Ownership of shares in a widely publicly traded corporation where

  (a) the Director or Employee does not hold, directly or indirectly, sufficient shares to have effective control of the corporation, and

  (b) the Director or Employee or an associate of them ("associate" is defined in the Code) is not a director, officer, employee, consultant or advisor of that corporation.

- ***RRSP*** - Ownership of shares of a corporation by means of a Registered Retirement Savings Plan, or similar financial product e.g. RESP, that is not self-administered.

- ***Mutual Funds*** – Ownership of units in a mutual fund which is managed by an independent fund manager where the Director or Employee or an associate of them is not a director, officer, employee, consultant or advisor of that fund.

If a Director or Employee has a "trivial" private interest, the Director or Employee should disclose the interest as required under the Code. In this situation, the Director or Employee is not required to abstain from voting or taking other actions that may impact the outcome of the matter that involves such interest unless the Board of Directors, in the case of a Director, or the Manager, in the case of an Employee, determines otherwise, or in all of the circumstances the Director or Employee could, despite the trivial nature of the interest, be perceived to be in a conflict of interest.

Benefits from BC Hydro business relationships

The prohibition against receiving a benefit from a BC Hydro business relationship is not intended to be absolute. The Code expressly qualifies the prohibition by stating that it does not apply to a benefit that the Corporation intends its Directors or Employees to enjoy. This Clarification Statement describes other qualifications on the prohibition:

1. It is only intended to apply to a pecuniary or economic benefit or to a benefit to which a pecuniary or economic value may be attributed.

2. It is not intended to prohibit a benefit which is trivial. A benefit will ordinarily be considered trivial if it is of *minimal value* or if it is *remote* from the business relationship. The following situations are two examples of when a benefit would be considered remote from a business relationship:

(a) If the Director or Employee owns units in a mutual fund that holds shares in a company with which the Corporation does business, an increase in the value of the units of the mutual fund would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.

(b) If a Director or Employee owns shares in a publicly traded company and a subsidiary of that company does business with the Corporation, the benefit received by the subsidiary from that business would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.

3. It is generally not intended to prohibit a benefit received from a business relationship in which the Director or Employee, in any official or unofficial capacity, did not participate or did not have the opportunity to influence. However, in certain circumstances receipt of such benefits could nonetheless result in the perception of a conflict of interest. Usually, the most effective way to avoid this perception is to refuse the benefit.

For additional advice on perception of a conflict and its avoidance, contact the Code of Conduct Advisor.

4. It is not intended to apply to a benefit received from a business relationship which the Director or Employee, in an official or unofficial capacity, had the opportunity to influence if:

(a) at the earliest opportunity, the Director or Employee makes full disclosure of the particular circumstances to the Board of Directors, in the case of the Director, and to a Manager, in the case of an Employee,

(b) the Director or Employee abstains from voting or taking any other actions that could impact the outcome of the business relationship, and

(c) the Board of Directors, in the case of the Director, or a Manager, in the case of an Employee, approves the benefit received.

Whenever in doubt about the application of this prohibition, full disclosure of the circumstances is the most effective way to prevent an inadvertent breach of the Code of Conduct.

DIRECTOR AND EMPLOYEE CODE OF CONDUCT

POLICY GUIDELINES FOR GRANTING AN EXEMPTION FROM THE REQUIREMENTS OF THE CODE OF CONDUCT

The Code of Conduct allows a Director or Employee to request an exemption from the provisions of the Code. The exemption procedure for Employees is set out in Attachment 4 to the Code and for Directors is available from the Corporate Secretary.

The purpose of this document is to provide guidelines for evaluation of requests for exemptions in an effort to provide principled, transparent and consistent decision-making.

It is not possible to provide guidelines to cover all circumstances where an exemption may be requested. Each circumstance must be considered on its own merits but this document will attempt to provide general principles to be taken into account.

As a general proposition, the exemption procedure, although expected to be utilized rarely, provides a means to address situations where to require compliance with a Code requirement may not be in the overall best interests of the Corporation. The exemption procedure is not intended to benefit Directors or Employees – it is intended to benefit the Corporation – to provide it with the opportunity to relieve a Director or Employee from complying with the Code in circumstances where it is in the best interests of the Corporation to do so.

Any individual who is requesting an exemption is responsible for making full disclosure of all relevant facts and circumstances – whether or not they appear to support the request being made. Full disclosure permits the Corporation to assess whether its best interests are being served by approving a request for an exemption. Failure to make full disclosure may result in denial of the request or in subsequent withdrawal of an approval given. If a Manager is aware that an Employee is considering requesting an exemption, the Manager should provide the Employee with a copy of these Policy Guidelines and suggest that the Employee contact the Code of Conduct Advisor for advice before making the request.

Determining the Corporation's best interests always requires consideration of specific facts. Consideration of relevant facts addressing the following issues should be included in an assessment of the Corporation's best interests:

1. operational requirements, including hiring and appointing qualified individuals and securing required services and products;
2. financial and economic considerations;
3. legal obligations;
4. corporate mission and values;
5. shareholder interests, including the public interest.

If approving an exemption from Code requirements would better serve the Corporation's interests than requiring compliance with the Code requirements, then it may be appropriate to approve an exemption.

The facts disclosed by a Director or Employee should be assessed taking into account the following considerations, where applicable. Other considerations may be relevant, depending upon the circumstances:

Materiality
Is the subject matter of the prohibition material to the applicant and to the Corporation? If it is not material to either party, granting an exemption may be in the best interests of the Corporation. If it is material to one party and not to the other, caution should be exercised before granting an exemption. If it is material to both parties, an exemption is not likely to be in the best interests of the Corporation.

Proximity
Are the applicant and the subject matter of the prohibition closely related? If yes, an exemption is not likely to be in the best interests of the Corporation. If the relationship is remote, granting an exemption may be in the best interests of the Corporation.

Conflict of interest
Did the circumstances that are the subject matter of the prohibition arise result from the applicant being in a potential conflict of interest? If yes, did the applicant disclose the potential conflict of interest fully and in a timely manner and take steps to avoid any involvement in the matter. If such disclosure was not made, an exemption is not likely to be in the best interests of the Corporation.

Costs of compliance
Are the Corporation's interests adversely affected by requiring compliance? If, for example, the Corporation may lose valued personnel, access to required or scarce services or products or may incur increased costs by requiring compliance, an exemption may be in the best interests of the Corporation.

On the other hand, are the Corporation's interests adversely affected by not requiring compliance? If, for example, the Corporation may suffer from low morale, public criticism or shareholder censure or incur legal liability by not requiring compliance, an exemption may not be in the best interests of the Corporation.

Timeliness of disclosure
When and how was the subject matter of the prohibition disclosed to the Corporation? If it was disclosed fully and as soon as practically possible by the applicant, granting an exemption may be in the best interests of the Corporation. If the subject matter of the prohibition was not disclosed fully and as soon as practically possible by the applicant, an exemption may not be in the best interests of the Corporation.

Fair and reasonable
Would granting the exemption meet community standards about fair dealing and be considered fair and reasonable in all of the circumstances?

DIRECTOR EXEMPTION PROCEDURE FOR THE DIRECTOR AND EMPLOYEE CODE OF CONDUCT

This document sets out the procedure for a Director of BC Hydro or its subsidiaries to request an exemption from a provision of the *Director and Employee Code of Conduct*. An exemption will only be granted in extraordinary circumstances and where it is clearly in the best interests of BC Hydro or its subsidiary to do so.

WHO MAY MAKE THE REQUEST FOR AN EXEMPTION?

A request for an exemption should be made in writing by a Director personally. In the case of a prospective Director, the request should be made by the President of BC Hydro, or the President of its subsidiary, as applicable, with the prospective Director's written consent.

TO WHOM SHOULD IT BE SENT?

The request should be sent as follows:

1. if the request is by a Director of BC Hydro, it should be sent to the Chair of BC Hydro;
2. if the request is by the Chair of BC Hydro, it should be sent to the Chair of the Corporate Governance Committee of the Board of Directors of BC Hydro;
3. if the request is by a Director of a BC Hydro subsidiary, it should be sent to the Chair of BC Hydro through the Chair of the subsidiary.

If the request is made on behalf of a prospective Director, the President of BC Hydro or its subsidiary, as applicable, will first obtain the written consent of the prospective Director to the request. A copy of the request will be provided to the prospective Director.

A copy of each request should be sent to the Corporate Secretary and to the Code of Conduct Advisor.

WHAT INFORMATION SHOULD BE INCLUDED IN THE REQUEST?

A request for an exemption should set out at least the following information:

1. a statement of the specific nature of the exemption being requested, including the provision of the Code from which the exemption is requested;
2. a full and complete statement of all material and relevant circumstances relating to the request being made. If the request is being made on behalf of a prospective Director, that individual should personally prepare and sign the statement;

3. the reasons why it may be considered appropriate to give the exemption. The Code requires that exemptions should only be given *"in extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so"*;

4. in the case of an exemption relating to an actual or apparent conflict of interest, a statement of the steps the Director will take or has taken to avoid participating in any way in any decision making or other activity relating to the subject matter of the conflict of interest.

HOW WILL THE DECISION BE MADE?

The Chair will make a decision and the Director, or prospective Director, will be advised in writing.

In the case of a request made to the Chair of the Corporate Governance Committee of the Board of BC Hydro, the Committee will make a recommendation to the Board for approval.

Conditions may be imposed on any exemption granted.

WHO ELSE WILL BE ADVISED OF THE DECISION?

A copy of the decision will be provided to the Corporate Secretary, the Code of Conduct Advisor and, if applicable, the Chair of BC Hydro's subsidiary.